

HOUSE BILL REPORT

HB 1736

As Reported by House Committee On:
Transportation

Title: An act relating to licensing criteria for motor vehicle dealers.

Brief Description: Requiring specific motor vehicle dealers to meet education and bonding requirements in order to receive a motor vehicle dealer's license.

Sponsors: Representatives Hatfield, Mitchell, Hurst, Talcott and Schoesler.

Brief History:

Committee Activity:

Transportation: 2/19/01, 3/7/01 [DPS].

Brief Summary of Substitute Bill

- Requires applicants for a vehicle dealer license to have successfully completed eight hours of educational training on state and federal laws regulating dealer business practices, prior to submitting their application.
- For licensed vehicle dealers who are renewing their dealer license, five hours per year of continuing educational training on state and federal laws is required.
- Those individuals who are franchise dealers selling new vehicles, franchise dealers selling new recreational vehicles, franchise car rental companies, manufactured housing dealers, or national auction companies disposing of totaled vehicles, are each exempt from the education training requirements.
- The amount of the surety bond required to be filed with the Department of Licensing prior to licensing the dealer is increased from \$15,000 to \$30,000.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 25 members: Representatives Fisher, Democratic Co-Chair; Mitchell, Republican Co-Chair; Cooper, Democratic Vice Chair; Hankins, Republican Vice Chair; Lovick, Democratic Vice Chair; Ahern, Anderson, Armstrong, Edmonds, Haigh, Hatfield, Hurst, Jackley, Jarrett, Marine, Mielke, Morell, Murray, Ogden, Reardon,

Rockefeller, Romero, Simpson, Skinner and Wood.

Minority Report: Without recommendation. Signed by 5 members: Representatives Ericksen, Republican Vice Chair; G. Chandler, Schindler, Sump and Woods.

Staff: Reema Griffith (786-7301).

Background:

Under current law, applicants for a vehicle dealer license must, among other things, submit an application to the Department of Licensing (DOL) disclosing such information as their qualifications and business history, their financial history, franchise information their current service agreement with a manufacturer, etc. The applicant must also pay a fee of \$500 and file a \$15,000 surety bond with the DOL.

Once the license has been issued, the DOL provides the dealer with a copy of the Vehicle Dealer Manual which contains information on the various state laws and rules related to vehicle dealers. Outside of this manual, vehicle dealers are not provided any in-depth training on state laws and rules, nor do they receive any information or education on related federal laws and regulations. Because of this, often times new licensees later find themselves to be overwhelmed and unaware of critical laws and regulations which can sometimes become known to them only after it is too late and a violation has occurred.

Summary of Substitute Bill:

In order to ensure that vehicle dealers are fully aware and knowledgeable of relevant state and federal laws, HB 1736 requires applicants for a vehicle dealer license to have successfully completed eight hours of educational training on state and federal laws regulating dealer business practices, prior to submitting their application. When the application is submitted to the DOL, a certificate of completion from the education provider must be included. Additionally, for licensed vehicle dealers who are renewing their dealer license, five hours per year of continuing educational training on state and federal laws is required.

Those individuals who are franchise dealers selling new vehicles, franchise dealers selling new recreational vehicles, franchise car rental companies, manufactured housing dealers, or national auction companies disposing of totaled vehicles, are each exempt from the education training requirements.

The education programs and test must be developed by motor vehicle industry organizations including, but not limited to, the state independent auto dealers association and the Department of Licensing. The program and test must, at a minimum, address federal and state laws in the areas of: motor vehicle advertising; odometer laws and

regulations; vehicle licensing and registration; unlawful dealer activities; standard motor vehicle forms; truthful lending practices; motor vehicle financing; and service and warranty contracts.

The education programs and test may be provided by accredited educational institutions, private vocational schools, correspondence schools, or trade associations.

To strengthen consumer protection, the amount of the surety bond required to be filed with the department prior to the issuance of the vehicle dealer license, is increased from \$15,000 to \$30,000.

Substitute Bill Compared to Original Bill:

Technical amendments were made to the original bill to correct an improper terminology and remove redundant language.

The DOL's role is changed from being the oversight body who would approve the education program and tests, to being a partner who will work cooperatively with the Independent Auto Dealers Association in the development of the program and tests.

An effect date of July 1, 2002 is added.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: This bill takes effect July 1, 2002.

Testimony For: This will provide better consumer protection for the public and increase the understanding used car dealers have of current laws and regulations they operate under.

Testimony Against: None.

Testified: (Support) T. K. Bentler and Pat Feutz, Washington State Independent Auto Dealer's Association; and Evelyn Barker, Department of Licensing.